Management Discussion & Analysis

Financial Years Ended September 30, 2020 and September 30, 2019
(expressed in Canadian Dollars)

January 27, 2021

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This Management Discussion and Analysis "MD&A" explains the material changes in BluMetric Environmental Inc's ("BluMetric" or the "Company") financial condition and results of operations for the year ended September 30, 2020. The MD&A should be read in conjunction with the Company's audited financial statements and related notes for the year ended September 30, 2020 as well as the MD&A and audited financial statements and notes for the year ended September 30, 2019. The information provided in this document is not intended to be a comprehensive review of all matters concerning the Company.

This discussion and analysis of the financial condition and the results of operations contain forward-looking statements about expected future events and the financial and operating performance of the Company. These statements, which include descriptions of the Company's business strategy, potential variances impacting the Company's internal and external performance drivers, and the Company's ability to meet its ongoing working capital needs through the ensuing 12 months, are included in the "Discussion of Results of Operations", "Liquidity", and "Business Outlook" sections which follow. These statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from those in the forward-looking statements. This MD&A also makes reference to certain non-GAAP measures to assist users in assessing BluMetric's performance. Non-GAAP measures do not have any standard meaning prescribed by International Financial Reporting Standards ("IFRS") and are therefore unlikely to be comparable to similar measures presented by other issuers. These measures are identified and described under the section "Financial Terms and Definitions".

Business Update – COVID – 19 Pandemic

On March 11, 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic, prompting governments in the jurisdictions in which BluMetric Environmental Inc. operates to declare a state of emergency in response. This has impacted the Company's operations and has led to significant volatility in local and global markets.

As details of COVID-19 emerged, the Company developed and implemented a Pandemic Response Plan, led by its Industrial Hygiene/Occupational Health and Safety service line. The Plan established health and safety processes designed to meet or exceed guidance from applicable government health authorities with the intent of protecting the safety of BluMetric's employees and their families as well as that of the Company's clients and the communities in which it operates. Specifics of the Pandemic Response Plan include onsite screening, increased hygiene and disinfection practices, physical distancing, provision of personal protective equipment and project specific health and safety assessments, plans and protocols. In addition to ensuring the health and safety of its employees, these measures allow BluMetric to focus on client service and mitigate impacts related to COVID-19.

The majority of BluMetric's office based workforce has been working from home since March 2020 and continues at this time. Investments made in 2019 in information technology systems resulted in a quick and efficient transition to remote working while supporting continued collaboration and teamwork.

Much of BluMetric's project work is deemed essential by applicable governments. Certain components of the business, such as the Company's military and mining markets and its industrial hygiene/occupational health and safety service line, have not been materially impacted by the pandemic. Other areas, such as real estate and industrial-commercial projects have seen some postponements or slowdowns due to a delay in capital expenditures or in some cases, travel restrictions.

COVID-19 cases continue to increase, prompting the declaration of a second state of emergency and stay at home orders issued in both Ontario and Quebec, the two provinces where the Company has the majority of its offices. These will extend until at least February 11, 2021 for Ontario and February 8, 2021 for Quebec and once again require non-essential business closures and impose travel restrictions.

Impacts of COVID-19 on the Company continue to include a risk that certain projects will not be available for completion or there will be modifications to how client work is completed, which may increase costs. Further risk and uncertainty come from the length of time it will take for the economy to return to pre-COVID-19 levels. Additionally, pandemic fatigue is increasing which impacts both employees and customers and may impact productivity moving forward.

As the Company navigates through the pandemic, it continues to pursue new revenue contracts, actively manage costs and ensure adequate liquidity. Specifically, the Company is utilizing various Government programs to manage its wage costs, monitoring its staff levels, and is actively engaged with its lenders to ensure banking agreements, loans and covenants are reasonable and in line with current economic circumstances.

BluMetric will continue to monitor and actively manage the impacts from COVID-19 on its projects and operations and is well positioned to react quickly to changes in the business climate.

Business Overview and Strategy

BluMetric is a Canadian company that provides cost-effective and sustainable solutions to help its clients overcome even the most difficult environmental and business challenges. Through a track record that spans 40 years, the Company has evolved into a full-service integrator of environmental solutions known for innovative work in the fields of water/wastewater treatment and professional environmental services.

With a focus on four key markets —Mining; Commercial and Industrial; Government; and Military— BluMetric's main services and products include:

- Engineering, Rehabilitation and Design
- Wastewater and Water Treatment Solutions
- Hydrogeology and Hydrology
- Environmental Due Diligence Assessments
- Waste Management (Solid, Liquid, Hazardous)
- Industrial Hygiene and Occupational Health and Safety
- Management Systems and Training

BluMetric's comprehensive, affordable offerings are tailored to the specific needs of not only each industry, but also each client. With innovation, agility and client-responsive service as its hallmarks, the Company builds partnerships with its customers by delivering a long-term, holistic approach to managing their complete environmental needs, and health and safety responsibilities. It is this high degree of service that differentiates BluMetric from competitors.

BluMetric's team of approximately 160 dedicated and passionate employees and its client-centric approach form the underpinning of its success, contributing to the following core elements of its value proposition:

- Solution-oriented consultation, design, products and construction services
- Turn-key solutions – BluMetric provides a complete end-to-end solution from assessment and evaluation to implementation to ongoing service and management
- World class expertise in the analysis, management and treatment of water in the environment
- Water treatment solutions that are compact, energy efficient, reliable and simple to operate

In February 2020, the Company opened a new office in Whitehorse, Yukon, bringing the total number of offices to ten. The expansion into the Yukon will ensure a stronger local presence while the Company works to secure future work in this region – a key area of growth.

The Company is proud to be a trusted provider of services to many of Canada's northern Indigenous communities.

Technology and Innovation

Innovation is driven by client demands as they face more stringent environmental regulations. Developing a scientifically sound and economically viable solution for a specific problem is the creative process that differentiates BluMetric from its competitors.

Despite the business interruption caused by COVID-19, which has placed some research and innovation initiatives on hold, the Company has expanded its standard products for water and wastewater treatment with the further development of a Portable Water Purification System and a Mobile Wastewater Treatment Plant. Both these solutions are highly flexible and cost efficient and allow for rapid deployments for temporary needs, such as temporary exploration and mining camps.

Additionally, the Company still sees demand for solutions that reduce the ammonia concentration in wastewater.

Ammonia is recognized as a significant nutrient contaminant responsible for the degradation of water quality. Government and public pressure has not abated and will continue to drive the implementation of stricter effluent limits for the mining, landfill, and industrial markets. BluMetric's patented ammonia removal process, MARS, has been used in several full-scale treatment systems in the mining and landfill sectors and has become an integral part in many of the proposals generated for these markets. This membrane and ion selective based process reduces ammonia by isolation and direct adsorption. Environmental compliance, reduced capital costs and reduced operational costs are the main advantages of the MARS process.

Creating cost effective water solutions opens up new revenue opportunities for BluMetric, and as such, the Company will continue to evaluate new opportunities in technology and innovation as they arise.

Sales and Marketing

BluMetric's business development efforts are primarily focused on four key markets where the Company has identified the greatest demand for its products and services:

- Mining
- Military
- Commercial and Industrial
- Government (with specific expertise in Northern Canada)

BluMetric uses a client-centric approach to business development, which involves an emphasis on understanding each client's environmental issues and then identifying and preventing potential problems. This approach allows BluMetric to provide a complete and integrated solution.

Environmental concerns are evaluated to determine if they are client specific or market driven. This evaluation helps select the appropriate course of action, identifies trends and allows BluMetric to be more pro-active to the future demands of the market.

Satisfied clients provide repeat business as well as incredibly valuable word-of-mouth referrals. BluMetric continues to actively leverage the successes of past projects to expand and diversify client relationships, strategic partnerships and service offerings.

Board of Directors

The Board of Directors currently consists of five members, three of whom are independent. The independent directors reflect a wide range of senior experience in the management of publicly traded and privately held companies. The Board members have expertise in finance, operations, management, and governance.

Executive Management

The Senior Management team comprises: Scott MacFabe, Chief Executive Officer; Vivian Karaiskos, Chief Financial Officer; Tim Beckenham, Senior Director, Operations; and Wayne Ingham, Director, Strategic Business Development.

This team has extensive business and environmental experience and is well supported by highly qualified and experienced managers.

Our People

The BluMetric team consists of approximately 160 experienced and motivated hydrogeologists, engineers, occupational and industrial hygienists, environmental auditors, environmental scientists, chemists, project managers, finance professionals, trades and support personnel. They are experts in providing a comprehensive range of environmental services and engineered solutions, from contaminated site assessment and remediation to complete turn-key wastewater treatment systems.

Staffing levels fluctuate with the hiring of contract staff and students to meet project demands. The Company strives to recruit and retain highly skilled employees who are able to use their technical expertise to deliver creative solutions to complex environmental issues.

Diversity

BluMetric is committed to the principles of diversity. The Company strives to create and support an inclusive work environment that respects and values the contributions of all employees and their individual differences.

BluMetric's employees come from a wide range of cultural, ethnic, educational and religious backgrounds. Additionally, women represent 46% of the workforce from welders and field service technicians to the senior members of the executive team and Board of Directors. To that end, BluMetric's goal is to capitalize on the strength derived from diversity while affording its team members the greatest opportunity to excel, grow, and contribute to business and society.

IFRS 16 Leases

Effective October 1, 2019, BluMetric adopted IFRS 16 Leases (IFRS 16) using the modified retrospective approach and did not restate comparative information. The new standard replaces IAS 17 Leases, and IFRIC 4 Determining Whether an Arrangement Contains a Lease (IFRIC 4) and requires companies to bring operating leases, formerly treated as off-balance sheet items, onto a company's statement of financial position.

On the statement of financial position, certain current and non-current items were reclassified to conform to the accounting requirements of IFRS 16 resulting in the recognition of a right-of-use asset and lease liability of $1.087 million and $1.095 million at October 1, 2019, respectively.

On the statement of net earnings, fixed lease payments are reflected in operating expenses as amortization of right-of-use assets and as a finance interest cost. Previously, the payments were solely classified as a rent operating expense. Variable lease payments and payments for short term and low value leases remain classified as operating expenses.

This also impacts the Company's EBITDA and Adjusted EBITDA calculation (see "EBITDA and Adjusted EBITDA" section below).

On the statement of cash flows, fixed lease payments are no longer included in operating and investing activities, respectively, and are now recognized in financing activities. The new presentation results in cash flows from operating activities increasing and cash flows from investing and financing activities decreasing, resulting in a net zero effect on total cash flows.

Goodwill Impairment

Goodwill is tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired.

In the quarter ended March 31, 2020, indicators of impairment were identified which included a significant decline in the Company's market capitalization as traded on the TSX-V and a reduction in near-term internal operating forecasts due to economic uncertainty arising from the COVID-19 pandemic.

Based on management's impairment analysis, it was determined that the full carrying amount of goodwill was impaired. As such, the Company recorded a non-cash impairment charge of $1.6 million in the quarter ended March 31, 2020.

Selected Financial Information

The following table shows selected financial data for BluMetric for the three most recently completed fiscal years.

For the years ended September 30, 2020, September 30, 2019 and September 30, 2018

	2020 $	2019 $	2018 $
Total revenue	28,621,333	28,252,230	32,246,586
Gross profit	6,123,280	5,861,762	6,760,929
Gross margin	21%	21%	21%
Operating expenses	4,930,768	4,899,743	5,670,222
Other operating items	(517,342)	-	-
Earnings before provision for income tax	1,201,978	479,207	543,580
Net earnings	471,459	350,918	2,659,198
Weighted average number of shares outstanding - basic	28,675,695	28,675,695	28,494,885
Earnings per share – basic and diluted	0.02	0.01	0.09
Total assets	15,516,691	12,452,982	14,522,893
Working capital	4,151,682	4,226,850	4,005,477
Non-current liabilities	964,185	2,761,805	2,765,061
Shareholders' equity	6,075,775	5,588,963	5,237,735

Results of Operations

	Three Months Ended			
	September 30, 2020 $	September 30, 2019 $	Change $	Change %
Revenue	10,419,507	6,626,168	3,793,339	57%
Gross profit	2,860,665	1,421,875	1,438,790	101%
Gross margin %	27%	21%		
Operating expenses	1,350,331	1,274,470	(75,861)	(6%)
Other income	(328,266)	-	328,266	100%
EBITDA[1]	1,978,452	174,554	1,803,898	1033%
Adjusted EBITDA[2]	1,865,083	174,554	1,690,529	968%
Earnings before provision for income tax	1,713,641	37,486	1,676,155	4471%
Income tax expense (recovery)	491,486	(1,784)	(493,270)	(27650)%
Net earnings	1,222,155	39,270	1,182,885	3012%
Weighted average common shares outstanding	28,675,695	28,675,695		
Earnings per share – basic and diluted	0.04	0.00		

Note 1: EBITDA is a non-IFRS measure (see 'Financial Terms and Definitions) and is calculated as net income before interest expense, income taxes, depreciation, and amortization.
Note 2: Adjusted EBITDA is a non-IFRS measure (see 'Financial Terms and Definitions) and is calculated as EBITDA before gain on disposal of assets held for sale, goodwill impairment and the impact of and the impact of the implementation of IFRS 16, Leases.

	Year Ended			
	2020 **$**	**2019** **$**	**Change** **$**	**Change** **%**
Revenue	28,621,333	28,252,230	369,103	1%
Gross profit	6,123,280	5,861,762	261,518	4%
Gross margin %	21%	21%		
Operating expenses	4,930,768	4,899,743	(31,025)	(1)%
Gain on disposal of assets held for sale	(947,914)	-	947,914	100%
Goodwill impairment	1,592,095	-	(1,592,095)	(100)%
Other income	(1,161,523)	-	1,161,523	100%
EBITDA[1]	2,196,081	1,067,889	1,128,192	106%
Adjusted EBITDA[2]	2,415,113	1,067,889	1,347,224	126%
Earnings before provision for income tax	1,201,978	479,207	722,771	151%
Income tax expense	730,519	128,289	(602,230)	(469)%
Net earnings	471,459	350,918	120,541	34%
Weighted average common shares outstanding	28,675,695	28,675,695		
Earnings per share – basic and diluted	0.02	0.01		
Total assets	15,516,691	12,452,982	3,063,709	25%
Working capital	4,151,682	4,226,850	(75,168)	(2%)
Non-current liabilities	964,185	2,761,805	(1,797,620)	(65%)
Shareholders' equity	6,075,775	5,588,963	486,812	9%

Note 1: EBITDA is a non-IFRS measure (see 'Financial Terms and Definitions) and is calculated as net income before interest expense, income taxes, depreciation, and amortization.
Note 2: Adjusted EBITDA is a non-IFRS measure (see 'Financial Terms and Definitions) and is calculated as EBITDA before gain on disposal of assets held for sale, goodwill impairment and the impact of and the impact of the implementation of IFRS 16, Leases.

Discussion of Results of Operations for the Financial Year Ended September 30, 2020

Revenue for the year ended September 30, 2020 was $28.6 million compared to $28.3 million for the year ended September 30, 2019 and is broken down as follows:

	2020 $	2019 $	Change $	Change %
Commercial and Industrial	8,526,214	8,944,202	(417,988)	(5%)
Government	7,047,075	5,580,767	1,466,308	26%
Military	7,192,337	8,060,792	(868,455)	(11%)
Mining	5,855,707	5,666,469	189,238	3%
	28,621,333	28,252,230		

While some projects in the commercial and industrial market were impacted by the economic turmoil and the restrictions imposed by the government as a result of the pandemic, a number of opportunities presented themselves. Notably the Company's Industrial Hygiene - Occupational Health and Safety service line was awarded contracts to assist specifically with COVID related initiatives, such as testing and training for personal protective equipment and overseeing COVID protocols. This largely offset the decline that was experienced from other areas in this market.

The largest increase was seen in the Government market. In fiscal year 2019, the Company completed an air quality maintenance project for a large number of institutions throughout Nunavut. This project was non-recurring in nature. However, in the last half of FY2020, the Company was awarded projects which more than fully offset the decline in revenue from this market. Notable projects include the operation and maintenance of a large scale effluent treatment system for the Federal Government at the abandoned Giant Mine in the Northwest Territories. BluMetric was also retained for the provision of COVID cleaning protocol training and supplies for each school in each community throughout Nunavut. Both projects demonstrated BluMetric's ability to react quickly and efficiently under the demands and restrictions imposed by COVID.

Projects in the Military market are considered essential and continued uninterrupted. The overall decline was a result of multiple one-time contracts related to 90 Day Sustainment Kits for the Reverse Osmosis Water Purification Units (ROWPU) for the Canadian Armed Forces as well as upgrades, which were included in the September 30, 2019 results. However, this decline in revenue was largely offset by meeting major milestones during fiscal year 2020 under the Seaspan Shipyard SROD contract which was press released on November 7, 2018.

Gross profit was $6.1 million for FY2020 compared to $5.9 million for FY2019. Gross margin remained consistent at 21%.

Operating costs remained consistent with the prior year at $4.9 million. Cost control measures were implemented for all discretionary spending in March 2020 as a result of COVID. In addition, travel restrictions imposed by the various levels of government made it impossible to attend conferences, training sessions and hold discretionary face-to-face client meetings. These cost reductions were nearly fully offset by an increase in credit loss provisioning as a result of the increased economic turmoil brought on by the pandemic.

The Company recorded a gain on the sale of its office building at 3108 Carp Road of $948,000 in Q1 2020 and a non-cash impairment of goodwill of $1.6 million in Q2 2020 due to a decline in market capitalization resulting from the economic impacts of COVID-19 (see "Goodwill Impairment"). Additionally, the Company recorded government grants of $1.2 million in other income in the year ended September 30, 2020 as a subsidy for employee wages paid.

Finance costs were $508,000 compared to $483,000 reported for fiscal year 2019. Cash interest costs have decreased by $45,000 primarily due to the Company paying off its demand loan on December 19, 2019, but have been replaced by non-cash interest related to IFRS 16 adoption.

Net earnings for FY2020 were $471,000 compared to $351,000 for FY2019.

EBITDA and Adjusted EBITDA (see "Financial Terms and Definitions")

	For three months ended			
	September 30, 2020 $	Impact of IFRS 16[1] $	Excluding IFRS 16[2] $	September 30, 2019 $
Net income	1,222,155	18,768	1,240,923	39,270
Finance costs	124,959	(15,950)	109,009	109,919
Income tax expense	491,486	6,767	498,253	(1,784)
Depreciation and amortization	139,852	(122,954)	16,898	27,149
EBITDA and Adjusted EBITDA	1,978,452	(113,369)	1,865,083	174,554

	For the year ended			
	September 30, 2020 $	Impact of IFRS 16[1] $	Excluding IFRS 16[2] $	September 30, 2019 $
Net income	471,459	36,045	507,504	350,918
Finance costs	507,876	(57,927)	449,949	482,812
Income tax expense	730,519	12,996	743,515	128,289
Depreciation and amortization	486,227	(416,263)	69,964	105,870
EBITDA	2,196,081	(425,149)	1,770,932	1,067,889
Gain on disposal of assets held for sale			(947,914)	-
Impairment of goodwill			1,592,095	-
Adjusted EBITDA			2,415,113	1,067,889

Note 1: Impact of IFRS 16 removes the change in accounting impact of leases that were classified as operating leases prior to the adoption of IFRS 16 on October 1, 2019. This adjustment excludes the Company's capital leases, since the impact from these leases on EBITDA and Adjusted EBITDA are the same before and after the adoption of IFRS 16.

Note 2: Results for the year ended September 30, 2020 are presented without the impact of IFRS 16 to show a consistent comparison with the year ended September 30, 2019.

The Company recorded EBITDA and adjusted EBITDA of $2.0 million for Q4 2020 compared with $175,000 in Q4 2019. Excluding the impact of IFRS 16, EBITDA would have been $ 1.9 million for the three months ended September 30, 2020. The increase in EBITDA is mainly due to increased project revenue ($3.8 million increase in Q4 2020 compared to Q4 2019), as well as other income of $328,000 from government grants which were received to offset employee wages.

For the year ended September 30, 2020, the Company recorded EBITDA of $2.2 million compared to $1.1 million for the year ended September 30, 2019. On an adjusted EBITDA basis, the Company recorded $2.4 million for fiscal year 2020 compared with $1.1 million for fiscal year 2019. The increase in EBITDA and adjusted EBITDA is mainly due to other income of $1.2 million from government grants which were received under the Canada Emergency Wage Subsidy program which subsidizes a certain percentage of employee wages for businesses experiencing a specified level of reduced revenue in order to support employers in retaining and/or hiring employees.

For more detail, see "Discussion of Results of Operations" and "Quarterly Results".

Quarterly Results

Quarterly financial information for the eight quarters ended September 30, 2020
(in 000's, except as otherwise indicated)

	Q4 2020 Sept 30, 2020 $	Q3 2020 June 30, 2020 $	Q2 2020 March 31, 2020 $	Q1 2020 Dec 31, 2019 $
Revenue	10,420	6,858	5,028	6,316
Cost of sales	7,559	5,516	4,538	4,885
Gross profit	2,861	1,342	490	1,431
Gross margin%	27%	20%	10%	23%
Operating expenses	1,350	1,118	1,308	1,155
Gain on disposal of assets held for sale	-	-	-	(948)
Goodwill impairment	-	-	1,592	-
Other income	(328)	(833)	-	-
Finance costs	125	114	115	154
Earnings (loss) before provision for income tax	1,714	943	(2,525)	1,070
Income tax expense (recovery)	491	270	(257)	226
Net earnings (loss)	1,222	673	(2,268)	844
Weighted average common shares outstanding - basic	28,675,695	28,675,695	28,675,695	28,675,695
Earnings (loss) per share – basic and diluted	0.04	0.02	(0.08)	0.03

	Q4 2019 Sept 30, 2019 $	Q3 2019 June 30, 2019 $	Q2 2019 March 31, 2019 $	Q1 2019 Dec 31, 2018 $
Revenue	6,626	7,035	6,989	7,601
Cost of sales	5,204	5,738	5,508	5,940
Gross profit	1,422	1,297	1,481	1,661
Gross margin%	21%	18%	21%	22%
Operating expenses	1,274	1,170	1,197	1,259
Finance costs	110	115	122	135
Earnings before provision for income tax	38	13	162	267
Income tax expense (recovery)	(1)	3	50	78
Net earnings	39	10	112	189
Weighted average common shares outstanding - basic	28,675,695	28,675,695	28,675,695	28,675,695
Earnings per share – basic and diluted	0.00	0.00	0.00	0.01

The Company experiences variability in its results of operations from quarter to quarter due to the nature of the markets and geographies in which it operates. Typically, in the second quarter, the Company experiences slowdowns related to winter weather conditions and holiday schedules. Activity in the fourth quarter generally increases as a result of projects in the North that run in the summer season. Additionally, the Company also has a number of one-time contracts that occur throughout the year that can significantly impact the results of any one quarter.

Below are some key highlights for fluctuations quarter over quarter. For information on the operating results please see the Discussion of Results of Operations in each MD&A for each respective quarter.

Highlights on quarter over quarter variances include:

1. Q4 2020 vs Q4 2019 – Q4 2020 includes two large one-time projects, one for the operation and maintenance of a large scale effluent treatment system for the Federal Government at the abandoned Giant Mine in the Northwest Territories and one for the provision of COVID cleaning protocol training and supplies for each school in each community throughout Nunavut. Combined, these two projects contributed $2.0 million in revenue during the quarter. The Company also received other income of $328,000 in the period ended September 31, 2020 as a subsidy for employee wages.
2. Q3 2020 vs Q3 2019 - The Company received other income of $833,000 in the period ended June 30, 2020 as a subsidy for employee wages.
3. Q2 2020 vs Q2 2019 – Total revenue declines by approximately $2.0 million primarily due to a decline in the Military and Government markets as a result of several onetime contracts that did not repeat in FY2020. The Company recognized an impairment of its goodwill during Q2 2020 of $1.6 million.
4. Q1 2020 vs Q1 2019 – Revenue decreased by approximately $1.0 million due to a decline in Military project revenue as a result of one time projects that started in Q4 2018 and continued until Q2 2019. The remaining decline was mainly due to a decline in projects in the federal and provincial markets, as Q1 FY2020 experienced the effects of having less government site investigation and remediation projects from the summer months when compared to Q1 FY2019. The Company also recognized a gain on sale of its office building at 3108 Carp Road of $948,000 in Q1 2020.

Summary of Cash Flows

	2020 $	2019 $
Cash provided by (used in)		
Operating activities, excluding changes to working capital	2,736,241	730,030
Changes related to working capital	(69,244)	1,325,740
Operating activities	2,666,997	2,055,770
Investing activities	961,085	(119,947)
Financing activities	(1,401,178)	(1,692,725)
Change in cash and cash equivalents	2,226,904	243,098
Cash and cash equivalents – Beginning of year	243,098	-
Cash and cash equivalents – End of year	2,470,002	243,098

Cash produced from operating activities of $2.7 million in fiscal year 2020 compared with cash produced from operating activities of $730,030 in fiscal year 2019. The $2.0 million increase primarily resulted from a $1.2 million increase in other income, higher revenue and associated gross profit, and lower cash related operating expenses. Cash flow from working capital declined in fiscal year 2020 as favourable changes in accounts payable were fully offset by an increase in project related receivables.

Investing activities provided cash of $1.0 million in fiscal year 2020, which compared to cash used in investing activities of $0.1 million, in the same period in 2019. The increase is related to the sale of the Company's office building at 3108 Carp Road in Q1 2020, which provided net proceeds of $1.1 million.

In fiscal year 2020, cash used in financing activities was $1.4 million compared to cash used by financing activities of $1.7 million in fiscal year 2019. The lower cash used was due to lower levels of debt repayment. Specifically, the Company repaid $925,000 to extinguish its demand loan in fiscal year 2020, whereas it repaid $1.6 million on its operating credit facility in fiscal year 2019.

Liquidity

The Company's short-term credit facilities consist of an operating credit line in the amount of $2.5 million, which is a shared limit between its overdraft facility and letters of credit. The facility carries a floating interest at prime plus 2.25%, is collateralized by a first ranking general security agreement over all of the Company's present and future assets, is subject to margining based on the amounts of eligible accounts receivable and has no contractual maturity.

For the period ended September 30, 2020, the effective interest rate under this facility was 4.70% (2019 – 6.2%). As at September 30, 2020, the Company had drawn $nil on its operating facility and $nil in letters of credit (September 30, 2019 – $ 77,055 and $nil respectively). The Company's eligible accounts receivable exceeded the margining threshold, making the $2.5 million facility fully available to the Company.

The Company has certain covenants in accordance with its short-term credit facility. On July 13, 2020, the Company completed a renegotiation of its covenants and banking agreement, and the fixed charge coverage ratio covenant was suspended for the quarters ended June 30, 2020 and September 30, 2020. Subsequent to year-end, on December 17, 2020, the Company negotiated a further change to its covenants which extends the suspension of the fixed charge ratio to the quarter ended September 30, 2021. While this covenant is suspended, the Company will be subject to a minimum 4-quarter trailing EBITDA covenant.

The Company's five year term loan ($2.5 million as at September 30, 2020) matures on August 15, 2021. Based on monthly repayments being made since September 15, 2020, the balloon payment required on maturity will be $2.1 million. The Company is in negotiations with potential lenders to refinance this term loan and has received a non-binding offer subsequent to year end with proposed interest rate and repayment terms that are favourable when compared to the current rate and terms.

As at September 30, 2020, the Company had approximately $5.0 million in availability between its operating line and cash balances and was in compliance with all its covenants. The Company believes this is sufficient liquidity to meet its needs, including paying off the term loan in full on maturity if deemed this is the best use of the Company's funds.

The following table outlines the liquidity risk associated with the Company's payment obligations as at September 30, 2020 and September 30, 2019, respectively:

					2020
	Less than 1 year	**1 – 5 years**	**Total undiscounted cash flow**	**Effect of interest**	**Carrying value[1]**
	$	**$**	**$**	**$**	**$**
Trade and other payables	5,268,289	25,000	5,293,289	-	5,293,289
Lease liabilities (IFRS 16)	560,176	773,760	1,333,936	100,271	1,233,665
Long-term debt	2,689,616	232,143	2,921,759	292,103	2,629,656
Advances	3,500	64,000	67,500	17,500	50,000
Due to shareholders	-	16,638	16,638	-	16,638
	8,521,581	1,111,541	9,633,122	409,874	9,223,248

1- Long term debt is stated on a gross basis of $2,465,000 rather than net of deferred financing fees

	Less than 1 year	1 – 5 years	Total undiscounted cash flow	Effect of interest	2019 Carrying value[2]
	$	$	$	$	$
Trade and other payables	2,955,610	40,372	2,995,982	-	2,995,982
Finance leases (IAS 17)	15,782	56,460	72,242	8,720	63,522
Demand loan	925,000	-	925,000	-	925,000
Long-term debt[2]	318,918	2,966,003	3,284,921	566,165	2,718,756
Advances	3,500	64,000	67,500	17,500	50,000
Due to shareholders	-	16,638	16,638	-	16,638
	4,218,810	3,143,473	7,362,283	592,385	6,769,898

2- Long term debt and demand loan are stated on a gross basis of $2,500,000 and 925,000, respectively, rather than net of deferred financing fees.

Business Outlook

The following comments include forward-looking information and users are cautioned that actual results may vary.

The Company continues to target a well-diversified portfolio within its four key markets.

BluMetric has re-aligned its sales and marketing team and is taking various measures to increase its top line by strengthening its private sector focus and pursuing higher margin projects.

BluMetric also continues to hone efficiencies with respect to project implementation and to focus on improving cost controls in order to deliver the most cost effective, innovative solutions possible.

Some of the best opportunities for growth are with projects where the client's operating expenses can be reduced as a result of the Company's proposed solutions and where these solutions help clients meet more stringent regulatory requirements. To this end, the Company is continuously working to ensure its positioning as a leader in delivering state-of-the-art, affordable environmental solutions that are designed to the specialized needs of each client.

Business Risks

The Company is subject to risks and uncertainties in the normal course of business that could materially affect the financial condition of the Company. These risks and uncertainties include, but may not be limited to, the following:

- The COVID-19 pandemic;
- Macroeconomic risk of recession in key markets or the economy as a whole;
- Reliance on key clients;
- Failure to retain and develop key personnel;
- Competition from companies which are better-financed or have disruptive technologies;
- Potential claims and litigations;
- Major swings in currency valuations after setting the price of foreign contracts; and
- Cybersecurity threats.

COVID-19’s impact on Canada was strongly felt in March 2020. Local governments in the jurisdictions served by BluMetric declared a state of emergency and implemented physical distancing measures to reduce the spread of COVID-19, which included the closure of non-essential businesses and travel restrictions. Since March 2020, Canada and the United States have loosened and tightened pandemic related emergency restrictions based on the number of COVID-19 cases and rate of spread. Large unknown risks as a result of COVID-19 remain.

Potential impacts on BluMetric related to COVID-19 include:

- Government response and related shut-downs to remediate on-going waves of COVID-19;
- Compressed margins at existing projects due to higher costs from modified work arrangements;
- Vendor price increases as they attempt to pass-through higher costs;
- Continued or additional suspensions at some of the Company’s projects;
- Delays at other projects to ensure health and safety standards are met;
- Supply disruptions related to materials or labour;
- Deferrals in the bidding process for some projects;
- Pressure on charge rates;
- Clients seeking price concessions due to weak economic conditions; and
- Pandemic fatigue.

The duration and full financial effect of the COVID-19 pandemic is still unknown at this time and is subject to significant uncertainty. Accordingly, the COVID-19 pandemic may materially and adversely affect the Company’s operations and financial results.

Factors mitigating the impact of COVID-19 include:

- The deemed “essential” nature of many of BluMetric’s projects;
- Diversification of the Company’s service offerings by market sectors;
- The implementation of a Pandemic Response Plan to ensure compliance with health and safety guidelines;
- Utilizing the Company’s position as an established provider of Industrial Hygiene / Occupational Health and Safety expertise to assist new and existing clients with COVID-19 related challenges.

- Participation in government wage subsidy programs and various tax payment deferral programs. The Company will continue to pursue available government measures to assist with the associated impacts of COVID-19 on the Company's financial performance.
- Business processes implemented since the beginning of the pandemic which allow the Company to agilely manage its discretionary and non-discretionary costs in response to changing conditions; and
- Increased liquidity, if needed, from a higher borrowing limit on its operating credit line as a result of renegotiating its credit facility agreement and moving from a limit of $2.0 million for overdraft and $500,000 for letters of credit to a $2.5 million shared limit between overdraft and letters of credit.

Capital Resources

The Company's future growth strategy contemplates investment in various technologies and processes requiring capital for prototyping purposes. Accordingly, the Company may opportunistically approach capital markets for additional equity funding if conditions are favourable.

Critical Accounting Estimates and Judgements

The reader is referred to the detailed discussion on critical accounting estimates and judgements found in Note 2 of the Company's audited financial statements and related notes for the year ended September 30, 2020.

New Accounting Standards

Note 4 of the Company's audited financial statements and related notes for the year ended September 30, 2020 discusses IFRS standards and interpretations that were issued and became effective for the Company on October 1, 2019.

Off-Balance Sheet Arrangements

Note 23 of the Company's audited financial statements and related notes for the year ended September 30, 2019 discusses commitments related to equipment leases and leases related to properties occupied by the Company. Many of the Company's operating leases have fallen under IFRS 16 as implemented on October 1, 2019 and are now capitalized on the Statement of Financial Position. Please see note 4 of the Company's audited financial statements and related notes for the year ended September 30, 2020.

Transactions with Related Parties

All related-party transactions are conducted under terms and conditions reflecting prevailing market conditions at the transaction date and are recorded at the amounts agreed upon by the parties.

The remuneration of key management personnel, including directors, during the year was as follows:

	2020	2019
	$	$
Salaries	1,026,931	1,040,033
Short-term benefits	102,800	104,563
Share-based compensation	15,353	43,449
	1,145,084	1,188,045

Proposed Transactions and Subsequent Events

There are no proposed transactions or subsequent events for the year ended September 30, 2020.

Summary of Outstanding Shares and Dilutive Instruments

The Company currently has the following shares and dilutive instruments outstanding:

Shares: 28,675,695 common shares
Options: 970,000 options

Inter-Corporate Relationships

There are no inter-corporate relationships for the year ended September 30, 2020.

Financial Terms and Definitions

Definition of Non-GAAP Measures

This Management Discussion and Analysis includes reference to and uses terms that are not specifically defined in IFRS and do not have any standardized meaning prescribed by IFRS. These non-GAAP measures may not be comparable to similar measures presented by other companies. The Company believes that the measures defined here are useful for providing investors with additional information to assist them in understanding components of the financial results.

EBITDA. EBITDA represents net income before interest expense, income taxes, depreciation of property and equipment, and amortization of intangible assets. The Company uses this measure as part of assessing operating performance. There is no direct comparable IFRS measure for EBITDA.

EBITDA excluding IFRS 16. EBITDA as defined above, excluding the impact of IFRS 16, which was an accounting standard change implemented on October 1, 2019. IFRS 16 requires companies to recognize right-of-use assets and lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17. The impact on the statements of net earnings and comprehensive income was that these new assets would be amortized and the lease liability would accrue interest. The increase in amortization and interest expense, all else held the same, increases EBITDA. EBITDA excluding IFRS 16 removes the impact of IFRS 16 to allow for a consistent comparison with the prior year. There is no direct comparable IFRS measure for EBITDA excluding IFRS 16.

Adjusted EBITDA. Adjusted EBITDA additionally excludes items that are significant and irregular, such as the gain on sale of assets held for sale, goodwill impairment, and the impact of IFRS 16, as described above.

Management believes that Adjusted EBITDA as defined above is an important indicator of the Company's ability to generate liquidity through operating cash flow to fund future working capital needs, service outstanding debt and fund future capital expenditures and uses the metric for this purpose. Adjusted EBITDA is also used by investors and analysts for valuation purposes. The intent of the Adjusted EBITDA is to provide additional useful information to investors and analysts and the measure does not have any standardized meaning under IFRS. Adjusted EBITDA should therefore not be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate Adjusted EBITDA differently.

Management's Responsibility for Financial Reporting

The annual financial statements of BluMetric Environmental Inc. and all the information in this Management Discussion and Analysis have been prepared by management, which is solely responsible for the integrity and fairness of the data presented, including the many amounts, which due to necessity, are based on estimates and judgments. The accounting policies followed in the preparation of these annual financial statements conform to IFRS Financial Reporting Standards. When alternative accounting methods exist, management has chosen those that it deems most appropriate in the circumstances. Financial information presented throughout this report is consistent with that in the financial statements.

BluMetric maintains systems of internal accounting and administrative controls to provide reasonable assurance that the financial information is relevant, reliable and accurate and that transactions are authorized, assets are safeguarded and proper records are maintained.

The Board of Directors is responsible, principally through its Audit Committee, for ensuring that management fulfills its financial reporting responsibility.

Additional Information

Additional information on the Company can be found at www.blumetric.ca and at www.sedar.com.